



Poland: The Economy on the Eve of the Party Congress

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MEMORANDUM

Liberalization in Poland: Impact and Implications

Summary

Assuming there is no Soviet military intervention, the Poles could create over the next several years a unique political system of power-sharing between the Communist party and organized interest groups. This evolving "new" Poland would be a destabilizing element in the Soviet bloc. Although the East European regimes could probably contain the fall-out initially, it would embolden disgruntled people throughout the bloc to press for changes and--in Eastern Europe--would inspire potential party and government reformers. The threat of a similar "revolution from below" would prompt some concessions, but generally would lead to a tightening of domestic controls, especially in those countries already inclined to repression. The Soviet Union would be better able to contain the pressures for change, but the East European regimes, over the longer term, might either have to institute reforms or risk political upheaval. These varying vulnerabilities and responses would be bound to cause some new frictions between the Soviets and their East European allies. Within the USSR, Poland could be a key issue in the upcoming leadership succession and could prompt greater Soviet military spending to compensate for a less reliable Poland. Moscow's toleration of a liberalized Poland would boost Soviet relations with West Europe and induce greater pressures in Western Europe for agreement on a variety of issues, particularly arms control and disarmament matters.

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This memorandum was prepared by analysts in the USSR-Eastern Europe Division and Western Europe Division of the Office of Political Analysis in conjunction and coordination with the Office of Strategic Research and the Office of Economic Research. It was requested by the Acting National Intelligence Officer for the USSR and Eastern Europe. Questions and comments may be addressed to the Chief, USSR-Eastern Europe Division, OPA

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Introduction

This memorandum provides a speculative look at the direction developments in Poland could take if the Poles continue to avoid Soviet military intervention. It also examines the effect of these events on the USSR and Eastern and Western Europe. It assumes restraint by both the Polish and Soviet sides, some continuing level of Soviet pressure, and considerable Soviet distaste for the evolutionary changes occurring in Poland. Recognition of the possibility of Soviet military intervention constitutes a continuing constraint on Polish behavior. 25X1

Polish Liberalization

Based on these assumptions, further liberalization in Poland over the next several years would likely remain generally within the limits of changes already implemented or begun. Over the next several years, the regime and the other major protagonists would observe an uneasy truce, marked by periodic crises, and develop practices that became enduring features of the political system. In this situation, Poland's unique status in Eastern Europe would be even more emphasized.

- The party would remain a key political player but would share its power more openly with organized special interest groups.
- The independent unions would continue to have substantial veto power over certain party decisions--particularly in the area of domestic economic policy--but increasingly would come to play a more responsible role.
- The Church would continue to play an influential political role, even though the number of actors in the political scene has increased and Cardinal Wyszynski's death would probably lead it to become temporarily more introspective.
- Within the party, the central leadership--purged of its most conservative members--would retain primacy, but would be more responsive to the rank-and-file and more tolerant of its activism and dissent. The party would retain the loyalty of its military establishment but still might have to restrain some in the security apparatus from an inclination to be repressive.
- The censorship apparatus would remain basically intact, but would tolerate considerable freedom of expression.

In every respect, the contrast between this more contentious, more participatory and perhaps more robust Poland and the other East European countries would become even starker. 25X1

The gestation period toward a new "model" of socialism would likely be characterized by a precarious political and economic stability. There would be a strong underlying current of tension and periodic crises as the party, the unions, and the Church try to reach agreement each within itself and among one another on power sharing and the limits of the new freedoms. The country would also continue to face serious economic problems, which would add to political tensions and test the newly emerging political arrangements. [REDACTED]

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Implications for Poland

Although the diffusion of power would hinder decision-making with regard to economic problems, such decisions would be more politically viable and could improve the regime's chances of implementing belt-tightening that would have been impossible before. A clear commitment by the party to power-sharing would eventually gain it greater legitimacy and new support, but only after it has convinced a skeptical population that its pattern of tactical concessions add up to at least acceptance of, if not firm commitment to, a new system. [REDACTED]

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If the government succeeds in enlisting the cooperation of Solidarity and the private farmers and obtains Western support in the form of debt rescheduling and new credits, economic recovery could well be greater than we now envisage. Prospects for a modest economic revival already seem reasonably good because of the large amount of slack capacity and underutilized natural and human resources. The regime projects an annual growth of 2 and 1/2 percent in 1981-83 that seems relatively easy to attain. If investment is held down as planned, such growth would probably allow Warsaw to reduce its current account deficit and could even permit at least a small rise in real per capita consumption. [REDACTED]

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Polish success at making the liberalized mechanism work, especially in solving economic problems, might boost the Poles' self-image and give rise to a surge of national feeling. Keeping this sentiment under control and preventing it from leading to a new escalation of demands or taking an anti-Soviet direction could become a major regime problem. [REDACTED]

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Implications for the Warsaw Pact

Polish-Soviet relations would remain tense even without a military intervention. Such tension would complicate the workings of the Warsaw Pact consultation and coordination mechanisms and would help sustain a belief by Poland's allies that it is now a less reliable partner. [REDACTED]

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For Poland, Warsaw Pact membership entails three commitments:

--Profession of loyalty and adherence to the Pact. This

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commitment is a minimum Soviet requirement, and pledges of loyalty would have to continue under any Polish liberalization scenario.

--Demonstrating its reliability in performing the wartime tasks assigned to Poland within the alliance. The Soviet Union may already have doubts about Poland's reliability and liberalization would deepen its apprehensions.

--Fulfillment of agreed Pact force modernization goals. Poland's ability to deliver on this commitment is severely constrained by its economic difficulties in any event. [REDACTED]

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The Soviets are already likely to have concluded that political liberalization has at least marginally reduced Poland's military reliability, even in the absence of any challenges by Solidarity to Poland's Pact commitments. In the event of war in Central Europe, the Poles are expected to form and command their own military front and to secure Soviet lines of communication to East Germany. These major offensive and logistic roles make Poland one of Moscow's critical military allies. The Soviet concern would be that Polish military support of Soviet forces in a crisis with NATO would depend more than ever before upon the Poles' perceiving the crisis as a threat to their national interest. [REDACTED]

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Soviet recognition of Poland's reduced reliability as a key Warsaw Pact ally would force the Soviet military high command (if it has not already done so) to develop alternate strategies and operational plans for filling gaps left by the uncertain Polish performance. This would require dedicating large Soviet forces to the Northern Front and to secure Soviet lines of communication through Poland. [REDACTED]

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Soviet Relations with Eastern Europe

A liberalized Poland would impose additional strains upon Soviet relations with Eastern Europe. Tension could result from differing perceptions between Moscow and local regimes over the extent to which the latter were vulnerable to the Polish "infection," and over the appropriate tactical response. Any Soviet pressure for tighter domestic controls would put Moscow most directly at odds with the Hungarians, who would not want to abandon their moderate approach. In the economic sphere, although Moscow would probably be more sympathetic to the need to reduce discontent by diverting more resources to consumption, some measures adopted for this purpose might conflict with Moscow's sense of economic priorities. Efforts to acquire more consumer goods might impel the East Europeans to increase economic ties with the West more than Moscow deems necessary. They might also become even more reluctant than they already are to commit resources to long-term investment or military

spending. Frictions in the military sphere could also arise from any Soviet efforts to compensate for Poland's uncertain reliability by seeking greater control over East European forces dedicated to the Warsaw Pact. [] 25X1

Soviet Internal Politics

Because of the weakness of indigenous forces for reform in the Soviet Union, the "spillover" effect on Soviet society of liberalization in Poland could probably be contained.

- Submission to authority is deeply ingrained among the Soviet population.
- Soviet dissent is fragmented. Intellectual dissidents--a small urban minority--have not been successful in forming broader alliances with disaffected workers or other important social groups.
- Although religious minorities have become increasingly assertive in recent years, none of them possess the widespread popular support and strong institutional position of the Catholic Church in Poland.
- Unlike the Poles, the Soviet working class has a tradition of political quiescence. Several unofficial trade unions did spring up in the late 1970s, but most of the leaders of these groups are now in prison, and there is no evidence that their organizations have been instrumental in fomenting significant strikes.
- No group is capable now, or in the foreseeable future, of effectively opposing the party on a national level. The means of communication and political expression are lacking to translate dissatisfaction into organized political opposition. [] 25X1

Nevertheless, the regime has gradually become more vulnerable to popular dissatisfaction. Three of the main props of the system--ideology, police repression, and control of information--have all been weakened. As a result, the regime has become more dependent on its ability to maintain and raise living standards as a means of ensuring popular loyalty and political control. Declining economic growth, by making it difficult to satisfy consumer expectations, has eroded popular acceptance of the regime's legitimacy and given rise to a mood of cynicism and apathy. During the past decade, there has been an overall increase in the level of consumer, labor, and ethnic unrest. []

Under these circumstances, the emergence of a liberalized Poland could have a catalytic effect on some of the dissatisfied elements in Soviet society. To the extent that Poland's economy actually improves or that Soviet citizens perceive that it has, 25X1

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the desire to emulate the Polish example could grow in some quarters, while resentment of alleged Soviet largesse would increase in others. The impact of Polish liberalization would probably be greatest in the Western Soviet republics, where resentment of Russian rule aggravates economic grievances. [redacted] 25X1

The inevitable debate over the ramifications of the Polish events might well intensify differences within the leadership over how to deal with societal pressure for change. The leadership as a whole would not likely feel impelled to respond by initiating any fundamental reordering of economic priorities or institutional changes, but the leaders disagree over tactical questions. Some of them emphasize the need for coercive measures, while others advocate steps to conciliate disgruntled elements of the population. These approaches are not mutually exclusive, and Soviet policy would probably contain elements both of conciliation and coercion. In general, the regime's approach to problems has tended to be reactive rather than preventive. [redacted] 25X1

Polish liberalization could have a substantial impact on the Soviet succession. Presumably the decision not to invade would imply that those leaders who recognized the broader political and economic implications of such a move and had argued against invasion had more influence in the Politburo than those insisting on discipline and control. In a succession environment, the former leaders might nevertheless be vulnerable to a "who lost Poland" debate. Those who urged restraint in policy toward Poland would be blamed for the "loss." Those who advocated intervention might criticize Brezhnev for having tolerated Poland's heresy against Soviet-style Marxism-Leninism, thus jeopardizing Soviet hegemony in Eastern Europe. [redacted] 25X1

In economic terms, Soviet tolerance of a liberalized Poland would, of course, be far less costly for the USSR than a military invasion, but the Polish economy that emerges from a liberalization process probably would still require sizable amounts of Soviet aid. The question of aid might sharpen internal Soviet debate over resource allocations in a period of economic stringency. Party leaders in areas such as the Ukraine, which provide Poland with large amounts of grain and raw materials, would voice resentment at being forced to prop up a Polish economy to the detriment of their own economic development. Increased military spending to compensate for Poland's reduced reliability would further strain the consumer sector. [redacted] 25X1

Impact on Eastern Europe

A liberalized Poland would inevitably give rise to new pressures for changes throughout Eastern Europe from political dissidents, aggrieved workers, and even younger members of the party and government. Nevertheless, over the next year or two the East European regimes should be able to contain such pressure

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and thus avoid extensive political change. The Hungarians may try to expand their carefully delimited liberalizing reforms, but the other Warsaw Pact states would generally preserve or even harden their authoritarian mold. Those countries that continue to express vehement objections to Polish developments--East Germany and Czechoslovakia--would hold the tightest reins. The Romanian regime, even though it is among the most repressive in Eastern Europe, would have the greatest difficulty handling the stresses. [REDACTED]

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Demands from the populace for change would be sporadic, isolated, and disorganized and would focus on political or economic issues of interest to specific segments of the population. The regimes would largely be successful in preventing developments similar to those that took place in Poland by using a combination of persuasion and coercion. The authorities would be more attentive to popular grievances and--within the limits of their resources--would make some concessions. But these regimes would find it difficult to give a larger share of the pie to consumers. Austerity would be the watchword as they continue to deal with their own economic problems and the economic impact of increased aid to Poland and interrupted CEMA trade. [REDACTED]

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The regimes would also continue their efforts to improve such mechanisms as the official unions in order to better gauge public opinion and thus improve their ability to prevent demands for changes from getting out of control. Leadership efforts to determine the appropriate mix of persuasion, concession, and force to be used in controlling popular pressures may provoke heated debates. These deliberations, however, would be unlikely to lead to significant new reformist courses. [REDACTED]

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Over the longer term, the ability of the East European regimes to avoid significant policy changes or political upheavals would become more problematic. Soviet inaction in the face of the Polish liberalization and accumulating economic problems could embolden advocates of change within and outside the parties to speak out more persistently and would gain them larger audiences. It would also eventually weaken those regimes--East Germany and Czechoslovakia in particular--that most lack political legitimacy and are regarded largely as creatures of the USSR. Younger people who rise into the ruling elites and who see more clearly the deficiencies of the existing system may spearhead campaigns for change. To the extent that the Polish experience is seen as a viable process for giving the party legitimacy and allowing it to persevere under duress, it may provide inspiration for these would-be reformers. Should the elder generation resist these pressures or try to deal with them in the traditional way, it risks causing severe divisions within the ruling elites along generational lines. [REDACTED]

Impact on East-West Relations

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Moscow stands to reap significant benefits in its relations with the West--and particularly with Western Europe--from tolerating liberalization in Poland. Such a development would be seen in Western Europe as a positive international development. More than before, the West Europeans would pursue differentiated relationships toward Eastern Europe. [redacted]

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The West Europeans would credit detente for making Polish renewal possible, and would have new faith in the efficacy of detente as a basis for relations with the East. Some would even interpret Soviet forbearance as reflecting a greater Soviet sense of security regarding the stability of their own system. [redacted]

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Advocates of detente in Western Europe would argue that the East-West contacts of the past 13 years had contributed to Polish liberalization in several ways.

--First, detente eased Soviet fear of capitalist encirclement enough that Moscow could accept looser control over Poland.

--Second, the economic and arms control aspects of detente had become too valuable for Moscow to lose by an invasion.

--Third, Western social and cultural contacts with the East planted political seeds that now are bearing fruit in Solidarity. [redacted]

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West European security concerns would ease and many West Europeans would press even more strongly for movement on arms control. They would increase pressure for resumption of the Geneva talks on long-range theater nuclear forces and for revival of the SALT process. Opponents of NATO force modernization--buoyed by the improved regional atmosphere--would have much wider appeal for their claims that new arms programs were needless and provocative. Rifts between the US and its NATO allies could deepen, and Moscow would actively exploit them. [redacted]

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Communist parties in Western Europe would echo the renewed faith in detente and skepticism concerning force modernization. In addition, they would point to a liberalized Poland as an example of evolving democratic socialism, as proof that ruling Communist parties could move along different paths to socialism, and as evidence that political models exist that distinguish democratic Marxists from social democrats. This could ease the strains between Moscow and the Italian and Spanish Communist parties unless these two parties chose to provoke the Soviets by portraying the Polish "model" as an alternative to Soviet-style socialism. [redacted]

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Emergence of a more pluralistic Poland could present some internal problems for Eurocommunist parties. The Soviets could claim that their system could tolerate vigorous political

dialogue even in times of economic and political stress, and
• assert that fears of Soviet intervention had always been
groundless. This approach would be particularly attractive to
rank-and-file West European Communists--who tend to distrust
Moscow less than their leaders--if coupled with renewed arms
control offers designed to show Moscow's devotion to peace.

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